<u>This Week in Agriculture:</u>

News That Could Make a Difference: January 4, 2013

- **One private analyst has referred to the last two weeks of trade as the "Chicago fund lashing," with many claiming prices can't go much lower. However the markets continue to prove them wrong, closing at levels not seen since mid-summer. Overall for the week corn lost 14 cents, wheat was down 30 and beans lost 53.**
- **Demand, or lack thereof seems to be the main focus point as corn exports continue to struggle and China continues to cancel bean purchases. Many traders have conceded that corn exports will be reduced in next week's report. Some traders have gone as far as to reduce overall export estimates by nearly 200 million bu.**
- **Most traders are anticipating the cut to export numbers will likely be offset by a potential increase in feed demand. Hog, poultry and cattle numbers have all come in higher than anticipated recently, and with shouting distance of last year's numbers. One must really wonder how the USDA can anticipate a nearly 500 million bushel cut to feed use if the animal populations have yet to drop by a correlating percentage.**
- **December 1st stocks in next week's report will finally give us some insight into actual first quarter feed usage, and hopefully a bit more in the way of direction.**
- **Chinese bean cancellations continue to lead the market by the nose. An additional 11.6 million bushels of purchases was cancelled yet again this week. Export shipments are currently 220 million bushels higher than they were a year ago, with the USDA still projecting a year to year decline. At this point Chinese crush margins are the best they have been in over 2 years. Export sales this morning, while less than previous weeks were higher than traders had anticipated.**
- **Domestic demand for soyoil may see an increase in the form of increase biodiesel production. Our esteemed lawmakers reinstated the $1.00 biodiesel blending credit that had expired at the end of 2011. They also made the credit retroactive through last year and good until year-end this year. The loss of the biodiesel credit was estimated to have reduced biodiesel production by nearly 300 gallons over the course of 2012. It will be interesting to see how this will impact demand moving forward.**
- **A private analyst increasing their estimates for both soybean and corn production ahead of next Friday's report really sent the market into a tailspin today. The group increased corn yield by a bushel overall and only lowered harvested acres by 100,000. This adjustment increased their corn production estimate, putting it 75 million bushels higher than the USDA's December estimate. They also increased their soybean production estimate, putting it 69 million bushels higher than the latest USDA estimate.**
- **Going into next week's report many traders feel corn harvested acres could come in 500,000 to a million acres lower, with yields staying relatively stagnant from last month. Soybeans could see a production increase, but demand is likely to outpace any gain in supply.**
- **Congress was able to kick the can down the road on the Farm Bill as well, extending the current bill in place through the end of the year.**

The USDA will release their much anticipated updated supply and demand numbers next Friday. Ahead of that report it's unlikely we'll move rapidly in either direction. Quarterly stocks are going to be vital when it comes to not only seeing real demand prospects, but also what we saw in actual production. Target orders remain important, this week's drop in futures has helped firm basis a bit, so there are still opportunities present. Give us a call with any questions; we'll have next week's numbers for you once they're released. Until next week, have a great weekend and stay safe!

All the Best!
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